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TREASURY FOR PARODI/BLEIWEISS/AHERN
USDOC FOR 4520/ITA/MAC/ONE
NSC FOR SHAPIRO/MCDERMOTT

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TAGS: ECON EFIN PGOV ELAB PREL LE
SUBJECT: LEBANON: REMITTANCES STEADY, FEW RETURNS OF LEBANESE EXPATS THUS FAR FROM THE GULF

REF: BEIRUT 421

SUMMARY

¶1. (U) While Lebanon's economy and banking sector made it through the international financial crisis relatively unscathed in 2008, many have worried about the potential impact of Lebanese expatriates losing their jobs in the Gulf and either returning to flood the Lebanese job market, or cutting back on remittances to their home country. There are no official statistics on the number of Lebanese expatriates who have been laid off as a result of the crisis. Nonetheless, anecdotal evidence suggests the impact so far is minimal, though the GOL is taking steps to prepare for an influx of workers during the summer season. End summary.

NO INFLUX OF EXPATRIATES
BACK TO LEBANON

¶2. (U) Rumors abound in Lebanon that as many as 15,000 expatriate Lebanese workers have lost their jobs in the Gulf as a result of the global financial crisis. Such a situation would threaten remittance flows -- which account for about 27% of current account receipts -- and potentially result in a flooding of the labor market as workers return home. There are no official statistics on Lebanese workers abroad, however, so economists and government officials are examining anecdotal evidence to assess the impact of the crisis so far.

¶3. (SBU) Prominent socio-economic consultant Dr. Kamal Hamdan believes the 15,000 figure is exaggerated, and points out that even if that many expatriates have lost their jobs, the relatively well-educated Lebanese have reportedly found other work within the Gulf region. Finance Minister Mohammad Chatah agreed, telling the Ambassador April 7 that Dubai seems to be the only Gulf market hit hard by the crisis, and that other Gulf Cooperation Council (GCC) countries seem to be picking up the slack, hiring workers laid off in Dubai, in Abu Dhabi or Doha. Nasri Abdelnour, project manager at Khatib and Alami, one of the major local engineering consultancy firms active in the Middle East and North Africa region, noted that while real estate development projects in Gulf countries have been put on hold, infrastructure and utility projects in the GCC countries (Emirates, Oman, Bahrain, Qatar, Kuwait and Saudi Arabia) are still on-going, requiring engineers and other skilled workers, with many Lebanese fitting the bill.

REMITTANCES STEADY

¶4. (SBU) On March 23, the World Bank (WB) revised its 2009 projections for remittance inflows to the entire MENA region, predicting that inflows will contract by 1.4% in a base-case scenario and by 5.2% in a worst-case scenario, compared to previous forecasts of 6.7% and 13.2% respectively. In Lebanon in particular, there are no signs that remittances have fallen. The Governor of the Central Bank of Lebanon (CBL), Riad Salameh, told the Ambassador April 8 that remittance figures for January-March 2009 remained steady, compared to their 2008 levels. Minister Chatah noted that Lebanese banks saw continued 14% deposit growth in January and February, in line with the last months of 2008.

¶5. (SBU) Hamdan believed the impact of return migration on remittances and employment may be felt in the second half of the year, when jobless Lebanese return home with their families at the end of the school year and stay, if they no longer have steady work in the Gulf. Nonetheless, he believes it is too soon to make projections, given the absence of official data.

NO PROBLEM NOW
BUT PLANNING FOR THE WORST

¶6. (SBU) Despite their sanguine view of Lebanon's weathering of the international financial crisis, both Salameh and Chatah highlighted actions they are taking to promote job creation and investment to counteract any negative impact Lebanon might face in the coming year. Salameh said the CBL would lower reserve requirements for commercial banks, resulting in an approximate 2.5% reduction in the

cost of borrowing for the private sector. He believed this action should reduce the dollar borrowing rate to about 4.75% and the Lebanese pound rate to about 6.25%.

¶7. (SBU) In addition, the Finance Ministry may attempt to institute a subsidy on these private sector loans, further lowering borrowing costs. This, however, would require cabinet and parliament approval, which may be difficult to obtain before the June 7 parliamentary elections, noted Chatah (reftel). Chatah said he also plans to propose a waiver on social security payments for employers who hire summer workers, as well as tax breaks for those who hire permanent workers in 2009 and 2010, expanding job options for any expatriates forced to return home in the next two years.

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